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C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 000648

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TAGS: PGOV PROP SOCI EINT CH

SUBJECT: BAIDU CEO DENIES HIJACKING OF RIVAL SEARCH ENGINE TRAFFIC, COMPANY "GETS NO SPECIAL TREATMENT"

REF: A. OSC CPP20071019968173

¶B. BEIJING 7035

Classified By: Deputy Political Section Chief Ben Moeling. Reasons 1.4 (b) and (d).

Summary

¶1. (C) Contrary to popular Chinese perception, China's top search engine, Baidu.com does not enjoy a special relationship with the PRC Government, company founder Li Yanhong told Poloff in a recent meeting. However, Li said, Baidu does engage in extensive self censorship of Internet searches but must only cooperate directly with government authorities on censorship issues during "sensitive periods," such as last October's 17th Communist Party Congress. Li asserted that these practices are no different than other Chinese search engines. Furthermore, he claimed there was no truth to Western media reports that during the Party Congress Baidu "hijacked" traffic from rival search engines. Commenting on the Yahoo/Shi Tao case, Li said all Internet companies active in China must obey PRC law. Despite his own competitive instincts to the contrary, Li said he hoped that U.S. firms will continue to be active in the Chinese market. End summary.

"Baidu Better at Chinese-Language Searches"

¶2. (C) PolOff met January 29 with Li Yanhong (protect), the Chairman and CEO of Baidu.com, China's leading Internet search engine with 60 percent market share. Li attributed Baidu's success to its superior handling of Chinese language searches. Baidu, Li explained, was designed from the outset for Chinese language users and is better able to parse Chinese search phrases to bring up useful results. This is in contrast with Yahoo and other competitors who have adapted their U.S.-developed search engines for the Chinese market.

"No Special Relationship with Government"

¶3. (C) Li strongly denied that Baidu receives preferential treatment from the PRC Government, as some critics have alleged. "We are treated just like everyone else," Li asserted. However, Baidu does practice "self discipline" to avoid running afoul of official Internet censors. Normally, Li explained, there is no direct coordination between Baidu and the Chinese authorities except during sensitive events, such as the October 2007 17th Communist Party Congress. Li asserted that these practices are no

different than those followed at other Chinese search engines, however, he did not want to elaborate on the mechanisms of how Baidu interacts with Chinese agencies on censorship issues.

Alleged "Hijacking" of Rival Search Engines

¶ 4. (C) Li likewise dismissed accusations that during the 17th Party Congress, Internet users attempting to access Google, Yahoo and other competing search engines were redirected to Baidu (Ref A). Li told PolOff he first learned of the story via the media, and Baidu's internal analysis shows no increase in traffic during the period when the alleged hijacking was taking place. Li decried the damage the story did to Baidu's image by fueling the perception that Baidu enjoys special privileges in exchange for its aggressive self censorship. "We got all this negative publicity, but we didn't get any of the additional page views," he complained. (Comment: Emboffs experienced this "hijacking" first hand (Ref B) though the extent of the redirecting varied from city to city and only lasted for one day. Rebecca MacKinnon, an expert on China's Internet at University of Hong Kong, has written that the redirection was not necessarily a deliberate act by Baidu or government censors.)

Yahoo/Shi Tao Case

¶ 5. (C) Commenting on the criticism Yahoo has received over the case of Shi Tao (a journalist who was arrested in 2004 and later sentenced to 10 years in

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prison after Yahoo provided Chinese police with information about Shi's email use), Li said that all Internet companies have no choice but to obey Chinese law. Unlike Yahoo, Li noted, Baidu does not provide email accounts and thus does not need to cooperate with police in investigations of individual Internet users. Li said Baidu's decision not to offer email was simply a commercial one as China is over-saturated with free email services. Nevertheless, Li expressed some sympathy for Yahoo and concern that the U.S. Congress will restrict U.S. Internet companies from operating in China. Setting aside his business interests, Li said he felt it was best for the development of China's Internet if U.S. companies continue to operate in the PRC.

Bio Note

¶ 6. (C) Li Yanhong (Robin Li) was born November 17, 1968 in Shanxi Province. After graduating from Beijing University in 1991, he studied at State University of New York, Buffalo, where he graduated in 1994 with an MS in computer science. During the 1990s, Li developed search engine technology for the U.S. firm Infoseek. He returned to China to launch Baidu in 2000 with the help of several American venture capital firms. Baidu.com went public on the NASDAQ stock exchange in 2005. Li is listed number 21 on Forbes magazine's 2007 "40 Richest Chinese" list with an estimated personal net worth of USD 2.35 billion. Li's wife and daughter are U.S. citizens. Li told PolOff he was previously a legal permanent resident of the United States but has since given up his LPR status.

Comment

¶ 7. (C) Emboffs' own experiences back Li's claims that

Baidu provides superior handling of Chinese searches. Chinese government documents and news stories are easier to find with Baidu. Baidu's "self discipline," however, appears to go beyond its competitors.

Entering the name of former Communist Party General Secretary Zhao Ziyang (who was deposed after the 1989

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Tiananmen crackdown) in Baidu brings up just two links: one to an official biography, the other to a Xinhua News Agency notice of his death in 2005. Google.cn (Google's mainland China version) offers hundreds of links on Zhao, thought not all of them function due to government censorship. However, Baidu has pushed the boundaries on non-politically sensitive topics to get an edge on competitors. In February, after our conversation, the government-sponsored Beijing Association of Online Media demanded that Baidu apologize for being slow to block sexually explicit photos related to a scandal involving Hong Kong pop star Edison Chen. The scandal is huge news in the PRC, and Baidu allegedly maintained links to the photos after its major competitors had erased them.

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